

CITY OF LEAWOOD, KANSAS

**REQUEST FOR QUALIFICATIONS
FOR
PROFESSIONAL AUDITING SERVICES**

August 1, 2008

4800 Town Center Drive
LEAWOOD, KS 66211

CITY OF LEAWOOD, KANSAS

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**REQUEST FOR QUALIFICATIONS
CITY OF LEAWOOD, KANSAS**

I. INTRODUCTION

A. General Information

The City of Leawood (“City”) is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the calendar year ending December 31, 2008, with the City option of the selected firm auditing its financial statements for each of the four subsequent fiscal years. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America as set for by the American Institute of Certified Public Accountants, the standards set forth for financial audits in the General Accounting Office's (GAO) *Government Auditing Standards* (2008), the provisions of the federal Single Audit Act of 1984 (as amended) and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as the Kansas Municipal Audit Guide.

There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

A pre-qualification conference for all the firms interested in submitting a response will be held at 8:30 a.m. on August 8, 2008 at the Leawood City Hall, 4800 Town Center Drive, Leawood, Kansas 66211, in the main Conference Room to answer questions about the engagement. Questions may be submitted via e-mail prior to the conference by contacting Kathyr@leawood.org. After this conference, any inquiries concerning the request for qualifications should be addressed to Kathy Rogers, Finance Director. All audit firms submitting a Notification of Interest will be provided with a copy of the questions and answers discussed during the conference.

To be considered, all interested firms must follow the submission requirements set forth in this Request for Qualifications to include the requirement that eleven (11) copies of a response must be received by the Finance Director at City Hall, 4800 Town Center Drive, Leawood, Kansas 66211 by 5:00 p.m. on August 22, 2008. The City reserves the right to reject any or all responses submitted. Responses submitted will be evaluated by the City's Audit Services Selection Task Force.

During the evaluation process, the City reserves the right, where it may serve the City's best interest, to request additional information or clarifications from proposers, or to

allow corrections of errors or omissions. At the discretion of the City, firms submitting responses may be requested to make oral presentations as part of the evaluation process.

The City reserves the right to retain all responses submitted and to use any ideas in a response regardless of whether that response is selected. Submission of a response indicates acceptance by the firm of the conditions contained in this Request For Qualifications.

It is anticipated the selection of a firm will be completed by October 6, 2008.

B. Term of Engagement

Subject to the annual availability of an appropriation required by the State cash basis law and the requirements of this request for qualifications (RFQ), a three-year engagement is contemplated, with the possibility of two single year extensions however, not guaranteed. Any engagement for audit work beyond the initial three year contract for auditing the City's financial statements shall be conditioned on an annual contract review and recommendation of the Finance Director, the satisfactory negotiation of terms, including a cost acceptable to the City, and the approval of the City's Governing Body. The first year of the contract will commence with the 2008 engagement.

C. Subcontracting

No subcontracting will be allowed without the express prior written consent of the City.

II. NATURE OF SERVICES REQUIRED

A. General

The City of Leawood is soliciting the services of qualified firms of certified public accountants to audit its financial statements for the year ending December 31, 2008, with a City option for the selected firm to audit the City's financial statements for each of the four subsequent fiscal years. These audits are to be performed in accordance with the provisions contained in this request for qualifications.

B. Scope of Work to be Performed

The City requires the auditor to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles.

The City also desires the auditor to express an opinion on the fair presentation of City combining and individual fund financial statements and schedules in conformity with generally accepted accounting principles. The auditor is not required to audit the supporting schedules contained in the comprehensive annual financial report. However, the auditor is to provide an "in-relation-to" report on the supporting schedules based on

the auditing procedures applied during the audit of the basic financial statements and the combining and individual fund financial statements and schedules. The auditor is not required to audit the introductory section or the statistical section of the report. The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

As required as an integral part of an audit, the auditor is expected to obtain an understanding of the internal control structure of the City and whether the internal controls have been placed in operation. In addition, all city investments must be confirmed annually.

C. Auditing Standards to be Followed

To meet the requirements of this Request for Qualifications, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting Office's *Government Auditing Standards* (2008), the provisions of the Single Audit Act of 1984 (as amended) and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as the Kansas Municipal Audit Guide.

D. Reports to be Issued

Following the completion of the audit of the City's 2008 fiscal year's financial statements and other required work, the auditor shall issue:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including an opinion on the fair presentation of the supplementary schedule of expenditures of federal awards in relation to the audited financial statements.
2. A report on internal controls over financial reporting based on an audit of the financial statements.
3. A report on compliance applicable to each major federal program.

In the required reports on compliance and internal controls, the auditor shall communicate to the City any significant deficiencies found during the audit. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than

a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Insignificant deficiencies discovered by the auditors shall be reported in a separate letter to City management, which shall be referred to in the reports on compliance and internal controls.

The reports on compliance shall include all instances of noncompliance.

Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties:

City Mayor and City Council

Auditors shall assure themselves that the City of Leawood's Mayor and City Council is informed of each of the following:

1. The auditor's responsibility under generally accepted auditing standards.
2. Significant accounting policies.
3. Management judgments and accounting estimates.
4. Significant audit adjustments.
5. Other information in documents containing audited financial statements.
6. Disagreements with management.
7. Management consultation with other accountants.
8. Major issues discussed with management prior to retention.
9. Difficulties encountered in performing the audit.

E. Special Considerations

1. The City will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the auditor will not be required to provide special assistance to the City to meet the requirements of that program.
2. The City currently anticipates it will prepare one or more official statements in connection with the sale of debt securities which will contain the general purpose financial statements and the auditor's report thereon. The auditor shall be required, if requested by the fiscal advisor and/or the under-writer, to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters."
3. A list of findings and other weaknesses from the City's most recent financial statement audit is attached to this document (Appendix A).

The City's 2007 CAFR is available on the City's website at

F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the City of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to representatives of the City.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

Working papers prepared by the City will be provided to the auditors in an electronic format whenever it is feasible. Working papers and other supporting documents generated by the City in paper format may be copied by the auditors, but the original documents are property of the City, shall not be removed from the premises, and shall be returned to the City intact when the audit fieldwork is completed.

III. DESCRIPTION OF THE CITY OF LEAWOOD AND OTHER ENTITIES TO BE CONSIDERED IN RESPONSE TO THIS RFQ

A. Name of Contact Person

The auditor's principal contact with the City will be Kathy Rogers, Finance Director (913-339-6700 ext. 121), or a designated representative, who will coordinate the assistance to be provided by the City to the auditor.

B. Background Information

The City of Leawood serves an area of 14.7 square miles with a population of 31,284. The City's fiscal year begins on January 1 and ends on December 31.

The City provides the traditional governmental services of Police, Fire Services, Public Works, Community Development, and Parks & Recreation.

Independent agencies provide water and sanitary sewer services on an area-wide district basis. Private industry owns and operates electric, telephone, natural gas and sanitation disposal services.

The City of Leawood 2008 estimated budget is \$50,000,000, which includes a total payroll of approximately \$21,998,828 covering 268 full-time employees. Some other

information about the City's financial activity includes:

Purchase orders issued	734 annually
Checks cleared	9,800 annually
Payroll ACHs	5,783 annually
Other ACHs/Wires	150 annually
Cash receipts	750 annually
Purchasing cards issued	61
Purchasing card dollar volume	\$ 150,000 annually
Sales taxes	\$ 12,222,897
Property taxes	\$ 15,797,923
Capital assets	\$ 334,770,876
Outstanding long-term debt	\$ 54,534,132

The City is organized into five primary departments. They include Administration, Police, Fire, Public Works and Parks and Recreation. The accounting and financial reporting functions of the City are centralized.

More detailed information on the government and its finances can be found in the 2007 Comprehensive Annual Financial Report and the 2008 Annual Budget document. These documents are available on the City's website at www.leawood.org/finance or from the Finance, Budget & Administration Department.

C. Fund Structure

The City uses the following fund types and account groups in its financial reporting:

Fund Type	No. of Individual Funds	No. with Legally Adopted Annual Budgets
General Fund	1	1
Special revenue funds	7	4
Debt service funds	2	1
Capital projects funds	11	
Enterprise funds	0	
Internal service funds	0	
Private-purpose trust funds	0	
Pension trust funds	0	
Agency funds	4	

D. Budgetary Basis of Accounting

All legal annual operating budgets are prepared using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

E. Pension Plans

The City of Leawood participates in the following pension plans:

<u>Plan</u>	<u>Multiple Employer Cost-Sharing Agent</u>
Kansas Public Employees Retirement System	X

F. Component Unit

The City of Leawood is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100. Using these criteria, a blended component unit is included in the City of Leawood's financial statements.

The management of the City of Leawood identified the following blended component unit for inclusion in the City of Leawood's financial statements:

Leawood Public Building Commission Fund

The Leawood Public Building Commission Fund was established to acquire assets and construct facilities and infrastructure for the benefit of the City by issuance of revenue bonds.

G. Computer Systems

Hardware and Software

The City utilizes Tyler Technologies, Eden financial accounting software which allows on-line inquiries of account balances and transactions.

H. Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports and management letters should contact Kathy Rogers at 4800 Town Center Drive, Leawood, Kansas 66211 (913) 339-6700 (ext. 121). The 2007, 2006 and 2005 CAFR can be found on the City's web site by clicking on www.leawood.org/finance. The City of Leawood will use their best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this Request for Qualifications.

IV. TIME REQUIREMENTS

A. Submission Calendar

The following is a list of key dates up to and including the date responses are due to be submitted:

- Request for Qualifications issued August 1, 2008
- Due date for Notification of Interest August 7, 2008
- Prequalification conference – 8:30 a.m. August 8, 2008
- On-site inspection - 10 a.m. August 8, 2008
- Due date for submissions - 5 p.m. August 22, 2008
- Interviews by the Audit Services Selection Task Force - Evening September 4, 2008

B. Notification and Contract Dates

- Selected firm notified of Audit Services Selection

- | | |
|---|--------------------|
| Task Force recommendation | September 9, 2008 |
| ▪ Begin negotiation of proposed audit costs | September 10, 2008 |
| ▪ Contract approved by Governing Body | October 6, 2008 |

C. Date Audit May Commence

The City will have all year-end records ready for the audit and audit schedules prepared by March 2, 2009. Preliminary fieldwork can be performed up to six months prior to this date.

D. Schedule for the 2008 fiscal year audit (a similar schedule will be developed for audits of future fiscal years if the City of Leawood exercises its option for additional audits).

The auditor shall complete each of the following no later than the dates indicated.

1. Interim Work

The auditor shall complete all interim work by December 31, 2008.

2. Detailed Audit Plan

The auditor shall provide the City of Leawood by November 30, 2008, both a detailed audit plan and a list of all schedules and confirmations to be prepared by the City of Leawood.

3. Fieldwork

The auditor shall complete all fieldwork by March 18, 2009.

4. Final Draft Reports

The auditor shall have drafts of the recommendations to management available for review by the Finance Director and City Administrator by March 20, 2009.

E. Entrance Conferences, Progress Reporting and Exit Conferences (a similar time schedule will be developed for audits of future fiscal years if the City of Leawood exercises its option for additional audits)

At a minimum, the following conferences should be held by the dates indicated on the schedule:

	Week of
<p>Entrance conference with all key finance department personnel and department heads of key offices or programs</p> <ul style="list-style-type: none"> The purpose of this meeting will be to discuss prior audit problems and the interim work to be performed. This meeting will also be used to establish an overall liaison for the audit and to make arrangements for work space and other needs of the auditor. 	11-24-08
<p>Progress conference with the Finance Director, key Finance Department personnel and other department heads of key offices or programs</p> <ul style="list-style-type: none"> The purpose of this meeting will be to discuss the year-end work to be performed. 	12-16-08
<p>Entrance conference with the Finance Director to commence year-end audit work</p>	03-04-09
<p>Progress meetings/teleconferences</p> <ul style="list-style-type: none"> The purpose of these meetings will be to discuss the progress of the audit and any problems encountered. 	Weekly during fieldwork
<p>Exit conference with the Finance Director and department heads of key offices or programs</p> <ul style="list-style-type: none"> The purpose of this meeting will be to summarize the results of the fieldwork and to review significant findings. 	03-25-09

F. Date Final Report is Due

The auditors shall prepare draft financial statements, notes and all required supplementary schedules (and statistical data) by March 25, 2009. The auditor shall provide all recommendations, revisions and suggestions for improvement to the Finance Department March 25, 2009.

The Finance Department will complete their review of the draft report as expeditiously as possible. It is not expected that this process should exceed one week.

During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the auditor will take the final signed report to a printer to be reproduced. It is anticipated that this process will be completed and the final report delivered by April 14, 2009.

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Finance Department and Clerical Assistance

The Finance Department staff and responsible management personnel will be available during the audit to assist the selected firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the City. The Auditor is responsible for mailing the confirmations, following up on any discrepancies, and preparing and mailing any second requests.

B. Information Technology Assistance

City IT personnel will be available to provide systems documentation and explanations. The Auditor will be provided computer time and the use of City computer hardware and software.

C. Statements and Schedules Prepared by City Staff

The City staff has previously prepared the majority of the Auditor's statements and schedules. It is anticipated this will continue, depending on the complexity of such work requested. Working papers and other supporting documents generated by the City in paper format may be copied by the auditors, but the original documents are property of the City, shall not be removed from the premises, and shall be returned to the City intact when the audit fieldwork is completed. A list of confirmations to be prepared by the City staff should be provided to the City by December 31, 2008.

D. Work Area, Telephones, Photocopying and FAX Machines

The City will provide the auditor with reasonable workspace, desks and chairs. The auditor will also be provided with access to telephones, photocopying facilities and FAX machines.

E. Report Preparation

Report preparation, initial editing and printing, and the final report in the form of a "camera-ready" copy appropriate for delivery to the printer, shall be the responsibility of the auditor. The auditor shall print and deliver at least fifty (50) copies of the final report to the City.

VI. SUBMISSION REQUIREMENTS

A. General Requirements

Submissions and Notification of Interest letters received after the date and time required by and stated in this RFQ shall not be considered. Such non-complying submissions shall be returned unopened providing the entity submitting the response is identified on the response envelope. The City reserves the right to reject any or all submissions and to waive any minor informality, technicality or irregularity in any submission.

Submissions will be time-stamped upon receipt and held in a secure place until the established due date. Submissions will not be opened publicly or disclosed to unauthorized persons, but will be opened in the presence of two or more City officials. A record of submissions will be established, which will include for all submissions: the name of the entity submitting the response, a description sufficient to identify the services offered, the names of the City officials present and the date and time the submissions were opened.

All responses and related reference information submitted in response to this RFQ will become the property of the City and will not be returned. Each entity submitting a response waives any right of confidentiality as to the response documents. If an entity submitting a response considers certain material in the response proprietary information, it shall clearly designate those portions of the response it wishes to remain confidential. As a public entity, the City is subject to making records available for public disclosure. The City will attempt to maintain the confidentiality of material marked proprietary; however, it cannot guarantee that information will not be made public.

The City reserves the right to (1) accept or reject any and all submissions and to waive any technicalities or irregularities involving any submission and to cancel the RFQ process at any time prior to entering into a formal contract for auditing services, (2) not award a contract for any or all of the services that are the subject of this RFQ process, (3) negotiate contract terms acceptable to the City with the successful auditor and (4) disregard all nonconforming, non-responsive or conditional submissions.

During the evaluation process, the City reserves the right to request additional information or clarifications from those firms submitting responses and to allow corrections of errors and/or omissions.

Submission of a response indicates acceptance by the firm submitting the response of the terms, conditions and specifications contained in this RFQ to include the contract requirements set forth herein.

The City will not pay for any information herein requested, nor is it liable for any costs incurred by those firms submitting responses. The City reserves the right to select the submission that will best meet the needs of the City. Submissions that do not meet the stated requirements will be considered in non-compliance and will be disqualified unless the City waives such non-compliance.

No submission may be withdrawn for a period of thirty (30) days from the date set for the opening thereof.

By submission of a response, each entity submitting a response certifies and acknowledges that:

It has not paid nor agreed to pay any person, other than a bona fide employee, a fee or a brokerage fee resulting from the award of the contract.

The City may, by written notice to the entity submitting the response reject the RFQ or cancel any award under this RFQ if it is found by the City that gratuities, in the form of entertainment, gifts or otherwise were offered or given to any representative of the City with a view toward securing an order or other favorable treatment with respect to this RFQ or the entity submitting the response participated in collusion with another entity to restrain or eliminate competition.

The contents of this RFQ and any clarifications distributed or issued by the City shall become part of the contractual obligation and incorporated by reference into the ensuing contracts as the City deems appropriate.

B. Process

1. Submission of Notification of Interest

Firms interested in submitting a response must submit by August 7, 2008, their "Notification of Interest" in writing (may be sent by facsimile) to:

Kathy Rogers
Finance Director
City of Leawood
4800 Town Center Drive
Leawood, KS 66211
E-mail Kathyr@leawood.org
Fax: 913-339-6781

2. Prequalification Conference/On-Site Inspections

The City has scheduled a prequalification conference in order to ensure that responses meet the RFQ requirements. This conference will be held at 8:30 a.m., August 8, 2008, Leawood City Hall, 4800 Town Center Drive, Leawood, Kansas. Both verbal and written questions will be accepted during the conference. Questions may be submitted via e-mail prior to the conference by contacting Kathyr@leawood.org. All audit firms submitting a Notification of Interest will be provided with a copy of the questions and answers discussed during the conference.

Following the conference, representatives of the various departments within the City of Leawood will be available to discuss their operations and conduct on-site inspections for interested proposers.

3. Inquiries

Inquiries concerning the Request for Qualifications and the subject of the Request for Qualifications must be made to:

Kathy Rogers
Finance Director
4800 Town Center Drive
Leawood, Kansas 66211
(913) 339-6700 ext. 121

4. Submission of Responses

The following material is required to be received by 5:00 p.m., August 22, 2008, for a proposing firm to be considered:

- a. A master copy (so marked) of a Technical Proposal and ten (10) copies in a separate sealed envelope marked as follows:

PROPOSAL
FOR
THE CITY OF LEAWOOD
FOR
PROFESSIONAL AUDITING SERVICES
August 22, 2008

All submissions shall include the following:

i. Title Page

Title page showing the request for qualifications' subject; the firm's name; the name, address and telephone number of a contact person; and the date of the submission.

ii. Table of Contents

iii. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes itself to be best qualified to perform the engagement and a statement that the submission is a firm and irrevocable offer for 2008.

iv. Detailed Response

The detailed response should follow the order set forth in Section VI C of this request for qualifications.

v. Executed copies of Respondent Certificates attached to this request for qualifications (Appendix B and Appendix C).

vi. Schedule of Hours

The detailed response should include the number of hours required for each type of employee, (IE. partner, manager, supervisory staff, staff, and other) for each entity to be audited (Appendix D). **THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS IN THE TECHNICAL PROPOSAL.**

b. Respondents should send the completed response to the following address:

Kathy Rogers
Finance Director
4800 Town Center Drive
Leawood, KS 66211

C. Technical Proposal

1. General Requirements

The purpose of the technical proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the City of Leawood in conformity with the requirements of this request for qualifications. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Technical Proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the request for qualifications requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The Technical Proposal should address all the points outlined in the request for qualifications. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for qualifications. While additional data may be presented, the following subjects, Item Nos. 2 through 7, must be included. They represent the criteria against which the response will be evaluated.

2. Independence

The firm should provide an affirmative statement that it is independent of the City of Leawood as defined by [generally accepted auditing standards/the U.S. General Accounting Office's *Government Auditing Standards* (2008)].

The firm also should provide an affirmative statement that it is independent of all of the component units of the City of Leawood as defined by those same standards.

The firm should also list and describe the firm's professional relationships involving the City of Leawood or any of its agencies, component units or primary government for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the City written notice of any professional relationships entered into during the period of this agreement.

3. License to Practice in Kansas

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in Kansas.

4. Firm Qualifications and Experience

The response should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

The firm shall also provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

5. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a certified public accountant in Kansas. The firm also should provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

The firm should provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Specifically, the response should state each staff member's training and experience in the following areas:

- a. Governmental Accounting Standards Board Statements 43 and 45
- b. Statements on Auditing Standards Statements 104-114
- c. Single Audits of municipalities
- d. General obligation bonds
- e. Investments in U.S. agencies, Treasury Notes, Treasury Bills, and Kansas Municipal Investment Pool
- f. Transportation Development Districts
- g. Pension plans

The firm also should indicate how the quality of staff over the term of the agreement will be assured.

The proposer should identify the extent to which staff to be assigned to the audit reflect the City's commitment to Equal Opportunity.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm or are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City of Leawood. However, in either case, the City retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this request for qualifications can only be changed with the express prior written permission of the City, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant governmental engagements (maximum of 5) performed in the last five years that are similar to the engagement described in this request for qualifications.

These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact. The City reserves the right to contact the clients listed to perform reference checks.

7. Specific Audit Approach

The response should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for qualifications. In developing the work plan, reference should be made to such sources of information as the City of Leawood's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement.
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.
- c. Sample sizes and the extent to which statistical sampling is to be used in the engagement.
- d. Extent of use of software in the engagement.
- e. Type and extent of analytical procedures to be used in the engagement.
- f. Approach to be taken to gain and document an understanding of the City of Leawood's internal control structure.
- g. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- h. Approach to be taken in drawing audit samples for purposes of tests of compliance.

VII. EVALUATION PROCEDURES

A. Audit Services Selection Task Force

Responses submitted will be evaluated by an Audit Services Selection Task Force of the City of Leawood, consisting of two Councilmembers, three Leawood citizens, members of the Finance Division, Human Resources Division, IT Division, and City Administrator's Office. This committee will determine which firms will make oral presentations.

B. Evaluation Criteria

Submissions will be evaluated using two sets of criteria. Firms meeting the mandatory criteria will have their submissions evaluated based on technical qualifications. The following represent the principal selection criteria which will be considered during the evaluation process.

1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in Kansas.
- b. The audit firm's professional personnel have received adequate continuing professional education within the preceding two years.
- c. The firm has no conflict of interest with regard to any other work performed by the firm for the City of Leawood.
- d. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.
- e. The firm adheres to the instructions in this request for qualifications on preparing and submitting the proposal.

2. Technical Proposals:

a. Expertise and Experience

- (1) Technical experience of the firm to include, but not limited to:
 - (a) Recent auditing of municipalities.
 - (b) Similar auditing, of the type under consideration, during the last three years.
 - (c) References.
- (2) Membership in the American Institute of Certified Public Accountants' Government Audit Quality Center
- (3) Classification of staff (including consultant) to be assigned to the audit. Education, including continuing education courses taken during the past three years, position in the firm, and years and types of experiences will be considered.
- (4) Determination of the following based on information submitted:

- (a) Qualifications of the audit team.
 - (b) Supervision to be exercised over the audit team by the firm's management.
 - (c) Technical review of audit reports prior to issuance.
- (5) Size and structure of the firm to include, but not limited to:
- (a) Capability to meet the services required.
 - (b) Additional skills and services.

b. Audit Approach

- (1) Responsiveness of the submission clearly states an understanding of the work to be performed to include, but not limited to:
- (a) Audit coverage.
 - (b) Realistic time estimates of each major segment of the work plan and the estimated number of hours for each staff level, including consultants assigned.

3. Interview

The Audit Services Selection Task Force may elect to interview Firms submitting responses as part of its screening process.

C. Oral Presentations

Based on the evaluation process, the Audit Services Selection Task Force will, at its discretion, request two or three firms to make oral presentations to the committee in the evening on September 4, 2008. All costs incurred in preparing for and attending the presentation shall be at the respondent's expense.

D. Final Selection and Fees

During the Audit Services Selection Task Force interviews, firms will be evaluated on the basis of qualifications of the office that will doing the work. Following are some of the factors which will be considered:

- Experience of the audit team.
- Number of current city and other local government clients.
- GFOA Certificate of Excellence experience.
- Quality control procedures.
- Single audit experience.
- Compliance with 1994 Yellow Book Standards, (Government Auditing Services) for audits of federal grants.
- Participation in governmental organizations such as KML, EKGFOA and GFOA.
- Proof of Professional liability insurance.
- References.
- Disclosure of any prior sanctions on any of the proposed audit team by **any and all state** regulatory body.

Firms will be asked to submit a fee proposal for performance of the Audit Services, to include rates for each type of employee (IE. partner, manager, supervisory staff, staff, and other) and anticipated out-of-pocket expenses. This information should be submitted in a separate sealed envelope attached to the firm's copy of the qualifications section and identified as "**Cost Data**". It is anticipated that the firm selected to serve as the City's Auditor will be retained on a yearly basis, with the City holding the option of retaining the same auditor for at least the succeeding two or possibly four years. For this reason, you are asked to state a schedule of fees with a maximum fee specified for the annual audit years of 2008, 2009, and 2010 within the sealed envelope.

Negotiations will be subject to the following conditions:

1. Negotiations may be conducted in person, in writing, or by telephone.
2. Terms, conditions, prices, methodology, or other features of the fee proposal may be subject to negotiation and subsequent revision. As part of the negotiation, the respondent may be required to submit supporting financial, pricing and other data in order to allow a detailed evaluation of the feasibility, reasonableness, and acceptability of the fee proposal.
3. The mandatory requirements of the Request for Qualifications shall not be negotiable and shall remain unchanged unless the City determines that a change in such requirements is in the best interest of the City.

In the event the City is unable to negotiate terms it deems acceptable, the City may withdraw its selection and select another firm.

It is anticipated that fee negotiations will be concluded and a contract for Audit Services will be executed between both parties for approval by the Governing Body of the City on October 6, 2008. Copies of certain standard and required contractual provisions are provided in Section VIII.

E. Special Conditions for Submitting a Response

1. Submission of a response indicates acceptance by the firm of the conditions contained in this request for qualifications.
2. Any response, which is not received by the Finance Director's office prior to the deadline date and time, will not be considered.
3. The City reserves the right to (1) accept or reject any and all proposals, and to waive any technicalities or irregularities involving any proposal, (2) negotiate contract terms with the successful Consultant, (3) disregard all nonconforming, non-responsive or conditional proposals and (4) reject any or all proposals.
4. During the evaluation process, the City reserves the right to request additional information or clarifications from those submitting proposals, and to allow corrections of errors and/or omissions.
5. Submission of a proposal indicates acceptance by the firm submitting the proposal of the terms, conditions and specifications contained in this RFQ, to include the contract requirements set forth herein.
6. The City will not pay for any information herein requested, nor is it liable for any costs incurred by those submitting proposals. The City reserves the right to select the Firm that will best meet the needs of the City.
7. By submission of a proposal the Firm certifies that the City may, by written notice to a Firm, cancel any award as a result of this RFQ if it is found by the City that gratuities, in the form of entertainment, gifts or otherwise were offered or given to any representative of the City with a view toward securing the award of a contract or other favorable treatment with respect to this RFQ.
8. The contents of the proposal and any clarifications distributed by the City shall become part of the contractual obligation and incorporated by reference into the ensuing contracts.
9. All proposals become the property of the City and will not be returned to the submitting Firm.

VIII. CONTRACT REQUIREMENTS

A. General Information

The award of any contract for professional auditing services pursuant to this RFQ process is contingent upon the firm receiving the award and successfully negotiating a contract for those auditing services with the City. The successful Firm will be required to enter into a contract with the City that will include the terms and provisions set forth in Section VIII.B. By submitting a response, the Firm acknowledges it has read these provisions and will agree to the contract requirements set forth herein. The City reserves the right to modify the contract language as it deems necessary to meet the best interests of the City.

In the event the selected firm will not execute an agreement that satisfies the contract terms required by this Section or the City is unable to negotiate a contract it deems acceptable with the selected firm, the City may withdraw its award for auditing services with the selected firm, and award its auditing services to another firm.

B. Required Terms

The following contract terms must be included in all contracts for professional auditing services. The City reserves the right to modify these contract terms by amendment, addition or deletion, as it deems appropriate.

1. Termination Rights

- a. Termination for Cause. Without in any manner limiting the right of the City to terminate this Agreement or declare the FIRM in default thereof for any reason set forth herein or in the Request for Qualification documents, if the work to be done under this contract shall be abandoned by FIRM; or if this Agreement shall be assigned by FIRM otherwise than as herein provided; or if the FIRM should be judged as bankrupt; or if a general assignment of its assets should be made for the benefit of its creditors; or if a receiver should be appointed for the FIRM or any of its property; or if at any time the City determines that the performance of the work under this contract is being unnecessarily delayed, that the FIRM is violating any of the conditions or covenants of this Agreement, that it is executing the same in bad faith or otherwise not in accordance with the terms of said Agreement; then, in addition to other rights the City may choose to exercise, the City may, at its option, serve written notice upon the FIRM of the City's intention to terminate this Agreement, and, unless within ten (10) days after the serving of such notice upon the FIRM a satisfactory arrangement be made for the continuance thereof, this Agreement shall cease and terminate unless the City otherwise agrees to continue the Agreement. In the event of such termination, the City shall immediately serve notice thereof upon the FIRM, and the City may take over the

work and prosecute same to completion by contract with another audit firm or otherwise and in such event the City may take possession of and utilize in completing the work any and all documents and other materials as may be necessary therefore. When FIRM's services have been so terminated, such termination shall not affect any rights or remedies of the City against FIRM then existing or which may later accrue. Similarly, any retention or payment of monies due FIRM shall not release FIRM from liability.

- b. Termination for Convenience. City reserves the right, in its sole discretion and for its convenience and without cause or default on the part of the FIRM, to terminate this Agreement by providing sixty (60) days prior written notice of such termination to FIRM. Upon receipt of such notice from City, FIRM shall (1) immediately cease all work or (2) meet with City and, subject to City's approval, determine what work shall be required of FIRM in order to bring the Project to a reasonable termination in accordance with the request of the City. If City shall terminate for its convenience as herein provided, City shall compensate FIRM for all work completed to date of termination. Compensation shall not include anticipatory profit or consequential damages, neither of which will be allowed. Any termination of the Agreement for alleged default by FIRM that is ultimately determined to be unjustified shall automatically be deemed a termination for convenience of the City.

2. Indemnity

a. Definitions

For purposes of indemnification requirements, the following terms shall have the meanings set forth below:

- (1) The "FIRM" means and includes FIRM, all of its employees, agents and assignees, and all of its affiliates and subsidiaries, its subcontractors and/or assignees and their respective servants, agents and employees; and
- (2) "Loss" means any and all loss, damage, liability or expense of any nature whatsoever, whether incurred as a judgment, settlement, penalty, fine or otherwise (including attorney's fees and the cost of defense).

b. Indemnity

For purposes of this Agreement, FIRM hereby agrees to indemnify, defend and hold harmless the City, its employees and agents from any and all "Loss" where "Loss" is caused or incurred or alleged to be caused or incurred in whole or in part as a result of the negligence or other actionable fault of the FIRM. It is agreed as a specific element of consideration of this Agreement that this indemnity shall apply notwithstanding the joint, concurring or contributory or comparative

fault or negligence of the City or any third party and, further notwithstanding any theory of law including, but not limited to, a characterization of the City's or any third party's joint, concurring or contributory or comparative fault or negligence as either passive or active in nature; provided, however, that the FIRM's obligation hereunder shall not include amounts attributable to the fault or negligence of the City. Nothing in this section shall be deemed to impose liability on the FIRM to indemnify the City for loss when the City's negligence or other actionable fault is the sole cause of loss.

3. Insurance

During the performance of this contract, the FIRM agrees to maintain for the duration of the contract insurance coverage of the types and minimum liability as set forth below. Before entering into a contract, the successful firm shall furnish to the City a Certificate of Insurance verifying such coverage and identifying the City as a loss payee on the valuable papers coverage. The certificate holder on the Certificate of Insurance shall be as follows:

City of Leawood, Kansas
c/o Finance Director
4800 Town Center Drive
Leawood, KS 66211

Prior to any material change or cancellation, the City will be given thirty (30) days advanced written notice by registered mail to the stated address of the certificate holder.

General and automobile liability insurance requirements:

a. General Liability Insurance

COMMERCIAL GENERAL LIABILITY POLICY

General Aggregate:	\$2,000,000
Products-Completed Operations Aggregate:	\$2,000,000
Personal & Advertising Injury:	\$1,000,000
Each Occurrence:	\$1,000,000

Policy must include the following:

d. Professional Liability Insurance

Policy shall protect the FIRM against claims for wrongful acts associated with their professional services. FIRM shall maintain insurance coverage for two (2) years beyond the term of this Agreement. Limits are to be no less than \$1,000,000 per wrongful act / \$1,000,000 annual aggregate.

Industry Ratings – The City will only accept coverage from an insurance carrier who offers proof that it:

- 1) Is licensed to do business in the State of Kansas;
- 2) Carries a Best's policyholder rating of A or better;

AND

- 3) Carries at least a Class X financial rating.

OR

Is a company mutually agreed upon by the City and FIRM.

Certification of insurance coverage in items (1), (2) and (3) above shall be provided by the FIRM's insurance carrier.

Certification of professional liability insurance shall be provided on a separate form provided by the FIRM's insurance carrier.

This insurance shall be required only on City-funded projects where the state or federal government does not establish separate guidelines.

4. Compliance With Non-Discrimination Requirements

The FIRM agrees that:

1. The FIRM shall observe the provisions of the Kansas Act Against Discrimination (K.S.A. 44-1001 et seq.) and shall not discriminate against any person in the performance of work under the present Agreement because of race, religion, color, sex, national origin, ancestry or age;
2. In all solicitations or advertisements for employees the FIRM shall include the phrase "equal opportunity employer" or a similar phrase to be approved by the Kansas Human Rights Commission ("Commission");
3. If the FIRM fails to comply with the manner in which the FIRM reports to the Commission in accordance with the provisions of K.S.A. 44-1031 and

amendments thereto, the FIRM shall be deemed to have breached the present Agreement, and it may be canceled, terminated or suspended, in whole or in part, by the contracting agency;

4. If the FIRM is found guilty of a violation of the Kansas Act Against Discrimination under a decision or order of the Commission which has become final, the FIRM shall be deemed to have breached the present Agreement, and it may be canceled, terminated or suspended, in whole or in part, by the contracting agency; and
5. The FIRM shall include the provisions of paragraphs 1. through 4. above in every subcontract or purchase order so that such provisions will be binding upon such subcontractor or vendor.

The FIRM further agrees that the FIRM shall abide by the Kansas Age Discrimination In Employment Act (K.S.A. 44-1111 et seq.) and the applicable provision of the Americans With Disabilities Act (42 U.S.C. 1201 et seq.) as well as all other federal, state and local laws, ordinances and regulations applicable to this project and shall furnish any certification required by any federal, state or local laws, ordinances and regulations applicable to this project and shall furnish any certification required by any federal, state or local governmental agency in connection therewith.

5. Cash Basis Law

The City is obligated only to make payments under this Agreement as may be lawfully made from funds budgeted and appropriated for the purposes as set forth in this Agreement during the City's current budget year. In the event the City does not so budget and appropriate the funds, the parties acknowledge and agree that they shall be relieved from all obligations, without penalty, under this Agreement.

APPENDIX A

FINDINGS FROM THE 2007 CAFR AUDIT

Significant Deficiencies – There were no significant deficiencies found.

Material Weakness – There were no material weaknesses found.

2007 Comments

Review of Policies – With the increased reporting of questionable business and ethic practices affecting all types of organizations, we believe that the practices followed by some governments and businesses of providing periodic training and refresher courses that cover such topics as the code of conduct, conflict of interest, personnel policies, and changes to laws and regulations that could impact the entity are useful. The City may consider obtaining a periodic declaration signed by Department Heads that they have read and agreed to the provisions of significant City policies and procedures.

Golf Course – Policies and Procedures – We understand that the City's golf is scheduled to reopen this spring after closing for all of 2007 while undergoing major renovations. We believe this represents an opportunity for the City to review and refine policies and procedures related to key operations at the golf course especially since it has been several months since there has been day-to-day activity. We suggest that the City coordinate with the golf course management company to review, revise and update key internal control and operating procedures so that the reopening golf course will go efficiently.

Health Care Premium Payments – From discussions with the City personnel, we were informed that invoices for employee health care coverage are reviewed, reconciled, and approved by the Finance Department. As the Human Resources Department is responsible for adding or removing employees, or changes in employee information for insurance purposes, there may be potential for increased efficiency in this process, as well as enhanced controls over the process, by having the Human Resources Department first review the invoice to ensure that all other employee changes are properly reflected, prior to the review by Finance. We recommend the City evaluate the benefit of having Human Resources personnel perform this function.

Fuel Purchases – Over the past several months, motor fuel prices have increased with significant fluctuation occurring from time to time. The City may be able to minimize the potential financial impact of significant price fluctuations by considering the use of fixed price contracts or through cooperative agreements with other surrounding entities.

APPENDIX B

RESPONDENT CERTIFIES

- I. The proposer certifies it can and will provide and make available, at a minimum, all services set forth in Section II, Nature of Services Required.

Signature of Official:

Name (typed):

Title:

Firm:

Date:

APPENDIX C

RESPONDENT CERTIFIES

- A. Proposer certifies that it is willing and able to comply with State of Kansas laws with respect to foreign (non-state of Kansas) corporations.
- B. Proposer certifies that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- C. Proposer certifies that it will not delegate or subcontract its responsibilities under an agreement without the express prior permission of the City of Leawood.
- D. Proposer certifies that all information provided by it in connection with this submission is true and accurate.
- E. Proposer certifies that it understands it is required to adhere to the Contract requirements set forth in this RFQ and all of the requirements of the RFQ which will be an attachment to the contract.

Signature of Official:

Name (typed):

Title:

Firm:

Date:

APPENDIX D

SCHEDULE OF HOURS FOR THE AUDIT OF THE 2008 FINANCIAL STATEMENTS

Hours

Partners

Managers

Supervisory Staff

Staff

Other (specify)

Subtotal

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